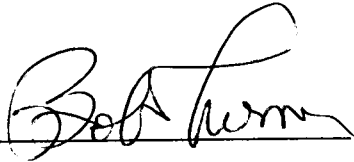


By



H. B. No. 2737

A BILL TO BE ENTITLED

AN ACT

relating to tax incentives for certain agricultural processing companies locating or expanding in this state.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter H, Chapter 151, Tax Code, is amended by adding Section 151.3185 to read as follows:

Sec. 151.3185. TAXABLE ITEMS SOLD OR USED BY CERTAIN AGRICULTURAL PROCESSORS. (a) In this section:

(1) "Agricultural processor" means a person who is or proposes to be engaged in processing an agricultural product.

(2) "Agricultural product" means an agricultural, horticultural, viticultural, or vegetable product, bees, honey, fish or other seafood, livestock, and poultry.

(3) "Economically distressed county" means a county that:

(A) has a per capita income that averaged 25 percent below the state average for the most recent three consecutive years for which statistics are available and an unemployment rate that averaged 25 percent above the state average for the most recent three consecutive years for which statistics are available; or

(B) is adjacent to an international border.

(4) "Qualified agricultural processor" means an

1 agricultural processor who meets the qualifications prescribed by
2 Subsection (c).

3 (5) "Rural county" means a county with a population of
4 less than 250,000.

5 (b) A taxable item purchased, leased, rented, stored, or
6 used by the agricultural processing business of a qualified
7 agricultural processor is exempted from the taxes imposed by this
8 chapter.

9 (c) An agricultural processor qualifies for the exemption
10 provided by this section only if the processor:

11 (1) establishes a new agricultural processing business
12 in a rural county or economically distressed county or expands an
13 existing agricultural processing business located in a rural county
14 or economically distressed county; and

15 (2) makes a capital investment of not less than
16 \$100,000 in establishing or expanding the business in the location
17 described by Subdivision (1).

18 (d) A qualified agricultural processor that is not a
19 corporation subject to taxation under Chapter 171 may claim the
20 exemption provided by this section only until the third anniversary
21 of the date on which the processor begins constructing or expanding
22 a facility that is necessary or essential to the agricultural
23 processing business described by Subsection (c) or enters into a
24 lease for such a facility.

25 (e) A qualified agricultural processor that is a corporation
26 subject to taxation under Chapter 171 may claim the exemption
27 provided by this section only until the first anniversary of the

1 date on which the processor begins constructing or expanding a
2 facility that is necessary or essential to the agricultural
3 processing business described by Subsection (c) or enters into a
4 lease for such a facility.

5 (f) A corporation must apply to the comptroller for the
6 exemption provided by this section. The burden of establishing
7 entitlement to the exemption is on the agricultural processor.

8 SECTION 2. Chapter 171, Tax Code, is amended by adding
9 Subchapter N to read as follows:

10 SUBCHAPTER N. CREDIT FOR CERTAIN AGRICULTURAL PROCESSORS

11 Sec. 171.701. DEFINITIONS. In this subchapter:

12 (1) "Agricultural processor" has the meaning assigned
13 by Section 151.3185.

14 (2) "Agricultural product" has the meaning assigned by
15 Section 151.3185.

16 (3) "Economically distressed county" has the meaning
17 assigned by Section 151.3185.

18 (4) "New permanent employee" means a new employee,
19 other than a private contractor, hired by a corporation for a
20 position that requires at least 1,600 hours of work a year and is
21 intended to be held by one employee during the entire year.

22 (5) "Rural county" has the meaning assigned by Section
23 151.3185.

24 Sec. 171.702. ENTITLEMENT TO CREDIT. A corporation is
25 entitled to a credit in the amount and under the conditions and
26 limitations provided by this subchapter against the tax imposed
27 under this chapter.

2

1 Sec. 171.703. TYPES OF CORPORATIONS THAT QUALIFY FOR CREDIT.

2 (a) A corporation qualifies for a credit under this subchapter if
3 the corporation is an agricultural processor that:

4 (1) establishes a new agricultural processing business
5 in a rural county or economically distressed county or expands an
6 existing agricultural processing business located in a rural county
7 or economically distressed county; and

8 (2) makes an overall investment relating to the
9 establishment or expansion in a privilege period that is equal to
10 at least \$250,000 as computed under Subsection (b).

11 (b) The value of a corporation's overall investment in
12 establishing or expanding an agricultural processing business in a
13 rural county or economically distressed county is computed by
14 multiplying the corporation's capital investment made in
15 establishing or expanding the business by the value of the new
16 permanent jobs created by the corporation as computed under
17 Subsection (c).

18 (c) The value of a new permanent job created by a
19 corporation is equal to:

20 (1) \$0 for each new permanent employee hired by the
21 corporation to work at an agricultural processing business
22 established or expanded in a rural county or economically
23 distressed area if the corporation hires four or fewer new
24 permanent employees;

25 (2) \$1,000 for each new permanent employee hired by
26 the corporation to work at an agricultural processing business
27 established or expanded in a rural county or economically

1 distressed area if the corporation hires at least five and not more
2 than 14 new permanent employees;

3 (3) \$5,000 for each new permanent employee hired by
4 the corporation to work at an agricultural processing business
5 established or expanded in a rural county or economically
6 distressed area if the corporation hires at least 15 and not more
7 than 49 new permanent employees; and

8 (4) \$10,000 for each new permanent employee hired by
9 the corporation to work at an agricultural processing business
10 established or expanded in a rural county or economically
11 distressed area if the corporation hires more than 49 new permanent
12 employees.

13 Sec. 171.704. AMOUNT OF CREDIT. (a) The total amount of
14 the credit for which a corporation may qualify during a privilege
15 period is equal to:

16 (1) two percent of the value of the corporation's
17 overall investment for the privilege period if the value is at
18 least \$250,000 but not more than \$500,000;

19 (2) four percent of the value of the corporation's
20 overall investment for the privilege period if the value is more
21 than \$500,000 but not more than \$1 million;

22 (3) six percent of the value of the corporation's
23 overall investment for the privilege period if the value is more
24 than \$1 million but not more than \$5 million;

25 (4) eight percent of the value of the corporation's
26 overall investment for the privilege period if the value is more
27 than \$5 million but not more than \$10 million; and

1 (5) 10 percent of the value of the corporation's
2 overall investment for the privilege period if the value is more
3 than \$10 million.

4 (b) A credit related to a particular new permanent employee
5 expires if:

6 (1) the employee does not remain continuously employed
7 with the business for at least 90 days; or

8 (2) the number of full-time employees working at that
9 employee's location falls below the number of employees at that
10 location on the day after that employee was hired.

11 (c) A corporation that qualifies for a credit under this
12 subchapter must take the credit in five equal installments.

13 Sec. 171.705. LIMITATIONS. (a) The total credit claimed
14 under this subchapter for a privilege period may not exceed 50
15 percent of the amount of net franchise tax due for the privilege
16 period after any other applicable tax credits.

17 (b) The amount of the credit may not reduce the tax below
18 zero.

19 Sec. 171.706. CARRYOVER. If a corporation is entitled to
20 take a credit that exceeds the limitation prescribed by Section
21 171.705 for a privilege period, the corporation may carry the
22 credit forward to consecutive reports.

23 Sec. 171.707. CONVEYANCE, ASSIGNMENT, OR TRANSFER. A
24 corporation may not convey, assign, or transfer a credit to another
25 person.

26 Sec. 171.708. RULES. The comptroller shall adopt rules
27 necessary to implement this subchapter.

1 SECTION 3. Subchapter B, Chapter 403, Government Code, is
2 amended by adding Section 403.0255 to read as follows:

3 Sec. 403.0255. INCENTIVES FOR AGRICULTURAL PROCESSORS. The
4 comptroller shall promote awareness of incentives available to
5 companies that want to establish or expand an agricultural
6 processing business in this state.

7 SECTION 4. Chapter 12, Agriculture Code, is amended by
8 adding Section 12.0021 to read as follows:

9 Sec. 12.0021. INCENTIVES FOR AGRICULTURAL PROCESSORS. The
10 department shall recruit the governor's office and other state
11 agencies to participate in a coordinated campaign to increase
12 awareness of the incentives available to companies that want to
13 establish or expand an agricultural processing business in this
14 state.

15 SECTION 5. (a) This Act takes effect January 1, 2000.

16 (b) A corporation may claim an exemption or credit under
17 this Act only for a capital investment made or new permanent
18 employee hired on or after the effective date of this Act.

19 SECTION 6. The importance of this legislation and the
20 crowded condition of the calendars in both houses create an
21 emergency and an imperative public necessity that the
22 constitutional rule requiring bills to be read on three several
23 days in each house be suspended, and this rule is hereby suspended.

for chief clerk use only

Bill or Resolution Number: HB 2737

JOINT AUTHOR AUTHORIZATION

As primary author of HB 2737 I hereby authorize the following joint author(s):
(bill or resolution #)

Warren Chisum

printed name of joint author #1

Warren Chisum

signature of joint author #1

BOB HUNTER

printed name of joint author #2

Bob Hunter

signature of joint author #2

3-10-99

DELUIS JONES

printed name of joint author #3

DeLuis Jones

signature of joint author #3

3-10-99

DAVID SWINFORD

printed name of joint author #4

David Swinford

signature of joint author #4

3-10-99

Bob Turner

signature of primary author

3-10-99

3-10-99

date

76TH LEGISLATURE

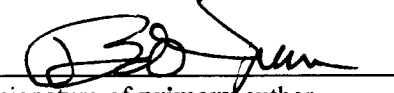
COAUTHOR AUTHORIZATION

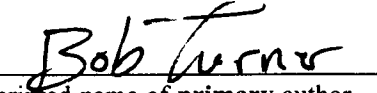
(please request your coauthors to sign this form
in lieu of the front or the back of the original bill)

For chief clerk use only

Bill or Resolution Number:

2737


signature of primary author


printed name of primary author

4-27-99
Date

PERMISSION TO SIGN 2737 HAS BEEN GIVEN TO (check only one of the following):
(bill or resolution #)

☒ ALL REPRESENTATIVES

THE FOLLOWING REPRESENTATIVE(S):

I authorize the Chief Clerk to include my name as a coauthor of the legislation indicated above:

A2120 Alexander	Date	A2600 Counts	Date	A2795 Farabee	Date
A2115 Allen	Date	A2605 Crabb	Date	A2810 Farrar	Date
A2105 Alvarado	Date	A2610 Craddick	Date	A2840 Flores	Date
A2135 Averitt	Date	A2615 Crownover	Date	A2920 Gallego	Date
A2160 Bailey	Date	A2645 Cuellar	Date	A2930 Garcia	Date
A2205 Berman	Date	A2635 Culberson	Date	A2940 George	Date
A2250 Bonnen	Date	A2670 Danburg	Date	A2935 Giddings	Date
A2275 Bosse	Date	A2620 Davis, John	Date	A2880 Glaze	Date
A2260 Brimer	Date	A2625 Davis, Yvonne	Date	A2985 Goodman	Date
A2265 Brown, Betty	Date	A2680 Delisi	Date	A2990 Goolsby	Date
A2270 Brown, Fred	Date	A3385 Denny	Date	A3005 Gray	Date
A2255 Burnam	Date	A2690 Deshotel	Date	A3000 Green	Date
A2300 Capelo	Date	A2705 Driver	Date	A3010 Greenberg	Date
A2400 Carter	Date	A2665 Dukes	Date	A3020 Grusendorf	Date
A2585 Chavez	Date	A2660 Dunnam	Date	A3030 Gutierrez	Date
A2480 Chisum	Date	A2650 Dutton	Date	A3035 Haggerty	Date
A2525 Christian	Date	A2770 Edwards	Date	A2695 Hamric	Date
A2520 Clark	Date	A2760 Ehrhardt	Date	A3160 Hardcastle	Date
A2435 Coleman	Date	A2775 Eiland	Date	A3170 Hartnett	Date
A2565 Cook	Date	A2785 Elkins	Date	A3345 Hawley	Date
A2595 Corte	Date	A2790 Ellis, Dan	Date	A3180 Heflin	Date

For chief clerk use only
Bill or Resolution Number:

2737

A3310 Hilbert	Date	A3715 Madden	Date	A4435 Shields	Date
A3250 Hilderbran	Date	A3750 Marchant	Date	A4445 Siebert	Date
A3275 Hill	Date	A2700 Maxey	Date	A4525 Smith	Date
A3270 Hinojosa	Date	A3665 McCall	Date	A4530 Smithee	Date
A3305 Hochberg	Date	A3650 McClendon	Date	A4550 Solis, Jim	Date
A3290 Hodge	Date	A3845 McReynolds	Date	A4560 Solis, Juan	Date
A3325 Homer	Date	A3840 Merritt	Date	A4505 Solomons	Date
A3320 Hope	Date	A3855 Moreno, Joe	Date	A4515 Staples	Date
A3315 Howard	Date	A3860 Moreno, Paul	Date	A4570 Swinford	Date
A3355 Hunter	Date	A3870 Morrison	Date	A4585 Talton	Date
A3360 Hupp	Date	A3865 Mowery	Date	A4605 Telford	Date
A3375 Isett	Date	A3885 Naishtat	Date	A4630 Thompson	Date
A3415 Janek	Date	A3890 Najera	Date	A4635 Tillery	Date
A3410 Jones, Charles	Date	A3895 Nixon, Joe	Date	A4650 Truitt	Date
A3405 Jones, Delwin	Date	A3900 Noriega	Date	A2730 Turner, Bob	Date
A3400 Jones, Jesse	Date	A3880 Oliveira	Date	A4685 Turner, Sylvester	Date
A3440 Junell	Date	A3886 Olivo	Date	A4690 Uher	Date
A3475 Keel	Date	A4010 Palmer	Date	A4695 Uresti	Date
A3480 Keffer	Date	A4180 Pickett	Date	A4720 Van de Putte	Date
A3470 King, Phil	Date	A4185 Pitts	Date	A4990 Walker	Date
A3465 King, Tracy	Date	A4200 Puente	Date	A4995 West, George "Buddy"	Date
A3485 Krusee	Date	A4210 Ramsay	Date	A5035 Williams	Date
A3450 Kuempel	Date	A4240 Rangel	Date	A5000 Wilson	Date
A3510 Laney	Date	A4245 Reyna, Arthur	Date	A5020 Wise	Date
A3520 Lengefeld	Date	A4236 Reyna, Elvira	Date	A5015 Wohlgemuth	Date
A3605 Lewis, Glenn	Date	A4250 Ritter	Date	A4980 Wolens	Date
A3600 Lewis, Ron	Date	A4370 Sadler	Date	A5005 Woolley	Date
A3615 Longoria	Date	A4380 Salinas	Date	A5025 Yarbrough	Date
A3620 Luna, Vilma	Date	A4420 Seaman	Date	A5040 Zbranek	Date

H.B. No. 2737

By DB Turn

A BILL TO BE ENTITLED
AN ACT

relating to tax incentives for certain agricultural processing companies locating or
expanding in this state.

MAR 10 1999 Filed with the Chief Clerk

MAR 15 1999 Read first time and referred to Committee on Ways and Means

Reported favorably (as amended)
(as substituted)

Sent to Committee on (Calendars)
(Local & Consent Calendars)

Read second time (comm. subst.) (amended); passed to third reading (failed) by a (non-record vote)
(record vote of yeas, nays, present, not voting)

Constitutional rule requiring bills to be read on three several days suspended (failed to suspend)
by a vote of yeas, nays, present, not voting

Read third time (amended); finally passed (failed to pass) by a (non-record vote)
(record vote of yeas, nays, present, not voting)

Engrossed

Sent to Senate

CHIEF CLERK OF THE HOUSE

OTHER HOUSE ACTION:

Received from the House

Read and referred to Committee on _____

Reported favorably _____

Reported adversely, with favorable Committee Substitute; Committee Substitute read first time

Ordered not printed

Laid before the Senate

Senate and Constitutional Rules to permit consideration suspended by (unanimous consent)
(yeas, nays)

Read second time, _____, and passed to third reading by (unanimous consent)
(a viva voce vote)
(yeas, nays)

Senate and Constitutional 3 Day Rules suspended by a vote of yeas, nays

Read third time, _____, and passed by (a viva voce vote)
(yeas, nays)

Returned to the House

SECRETARY OF THE SENATE

OTHER SENATE ACTION:

_____ Returned from the Senate (as substituted)
(with amendments)

_____ House concurred in Senate amendments by a (non-record vote)
(record vote of _____ yeas, _____ nays, _____ present, not voting)

_____ House refused to concur in Senate amendments and requested the appointment of a conference committee
by a (non-record vote) (record vote of _____ yeas, _____ nays, _____ present, not voting)

_____ House conferees appointed: _____, Chair; _____,
_____, _____, _____

_____ Senate granted House request. Senate conferees appointed: _____, Chair;
_____, _____, _____

_____ Conference committee report adopted (rejected) by the House by a (non-record vote)
(record vote of _____ yeas, _____ nays, _____ present, not voting)

_____ Conference committee report adopted (rejected) by the Senate by a (viva voce vote)
(record vote of _____ yeas, _____ nays)